



MONTANA LEGISLATIVE BRANCH

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DATE: March 11, 2004

TO: Legislative Finance Committee

FROM: Taryn Purdy

RE: 2005 Biennium Budget Spending "Pressure Points"

There are several areas of continuing and new concern in the 2005 biennium that could result in cost overruns in the 2005 biennium.

- 1) Judiciary – The Judiciary’s District Court Assumption Program is currently expending at a rate significantly above the 2005 biennium appropriation. At current levels of expenditure and without further mitigation efforts or other slowdowns in the rate of expenditure, the Judiciary could exceed its appropriation by as much as \$4.8 million to \$6.8 million over the biennium. This issue is discussed in more detail in the report entitled “District Courts Statewide Assumption Project Fiscal Update” by Harry Freebourn.
- 2) Montana Law Enforcement Academy – In the 2005 biennium, general fund used to support the Montana Law Enforcement Academy was changed to a surcharge on criminal fines in courts of limited jurisdiction. However, collections to operate the academy have been significantly below anticipated levels, and the shortfall in state special revenue could approach \$1.1 million over the biennium. A number of options are currently being explored, but a supplemental is a possibility if other mitigation or cost shift efforts are insufficient to avoid significant impacts on training. Since no general fund supports the academy, the general fund would have to be found from other sources within the department. A report by Todd Younkin entitled “Law Enforcement Academy Funding Issues” discusses this issue in more detail.
- 3) Corrections – Corrections remains a concern in the 2005 biennium. Population pressures are straining the system, with limited capacity slack and options for significantly reducing the populations. As of this writing, the fiscal 2004 appropriation could be as much as \$600,000 in excess of the appropriation. No supplemental request is expected because a portion of the agency’s appropriation is biennial and these funds would be used to cover any shortfall. However, use of additional biennial funds would exacerbate the any fiscal 2005 shortfall.
- 4) K-12 Education – As reported in the December meeting, K-12 education will require a supplemental appropriation in the 2005 biennium due to two main factors: 1) higher student ANB counts, as well as lower carryover funds; and 2) lower interest and income

collections than anticipated. The amount required is estimated at \$7.9 million, or almost \$1.0 million less than the estimate in December.

- 5) Department of Justice Highway Patrol Retirement – HB 559 imposed a one-time fee of \$1.25 on certain trailers, the proceeds of which are deposited to the general fund. The Department of Justice must pay an amount equal to the collections of this fee into the Montana Highway Patrol Retirement Fund. Collections were estimated at \$234,213 in fiscal 2004 and \$186,762 in fiscal 2005. However, no appropriation was requested to allow this payment. This transfer of funds from the general fund was already assumed in the general fund balance and so will have no further impact. However, there is a question of how and when this transfer must be made, and there could be an impact on the Department of Justice budget until the legislature convenes and can provide the actual authority. Additional information will be provided to the committee as the process continues.

In addition, two other areas of concern are being closely studied:

- 1) Within the Medicaid program, based upon the latest information available, Medicaid expenditures appear to be in line with appropriations. However, as discussed in more detail in the report by Lois Steinbeck entitled “Update on Medicaid and Medicaid Redesign”, first quarter information is problematic for determining fiscal year expenditures due to payment lags and lack of completeness. Therefore, while we do not have a basis to raise a concern about Medicaid expenditures at this point, we also do not feel we have sufficient information to make a judgment at this time.
- 2) Several recent developments in the Developmental Disabilities Services Division in the Department of Public Health and Human Services, including settlement of the Travis D lawsuit, could put upward pressures on expenditures. However, at this point it is not clear if these factors will result in increased expenditures, or what the impact will be on general fund revenues. These and other issues are discussed in more detail in a report entitled “Developmental Disabilities Program: Emerging Issues and Eastmont Status”, by Pat Gervais.

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